

Message Text

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ACTION STR-07

INFO OCT-01 NEA-11 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
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USMTN

STR ACTION

E.O. 11652: N/A
TAGS: ETRD, MTN, IN
SUBJECT: INDIA'S CONTRIBUTION TO MTN

1. MTN DEL RECEIVED COPY ON JUNE 8 OF 98 PAGE DOCUMENT
DETAILING "AUTONOMOUS" LIBERALIZATION MEASURES TAKEN
BY INDIA SINCE AUG 1976 WHICH "CONSTITUTE ITS CONTRIBUT-
IONS TO THE MTN." THE COVER LETTER FROM AMB. DAVE
TO DG LONG AND SEVEN ANNEXES DESCRIBING THE MEASURES
WERE CIRCULATED UNDER THE SAME PROCEDURES AS OTHER
OFFERS TO THE MTN. IN THE LETTER, DAVE EXPRESSES FIRM
BELIEF THAT LIBERALIZATIONS WILL RECEIVE DUE RECOGNITION
WHEN INDIA'S REQUESTS ARE TAKEN UP BY DEVELOPED PARTNERS
AND SEEKS THEIR ASSISTANCE IN MAINTAINING LIBERALIZATION
BY QUICK, UNDERSTANDING RESPONSES TO ITS REQUESTS. THE
COMPENDIUM OF MEASURES IS IDENTIFIED AS "A MAXIMUM
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EFFORT" WHICH INDIA HOPES TO MAINTAIN SUBJECT TO
PERIODIC POLICY REVIEWS CONSISTENT WITH DEVELOPMENTAL,
FINANCIAL, AND TRADE NEEDS AND IN ACCORDANCE WITH GATT
RIGHTS AND OBLIGATIONS.

2. WITH REGARD TO TARIFFS, INDIA SEEKS CREDIT FOR
THE SWITCH TO THE CCCN IN AUG 1976 WHICH RESULTED IN

TARIFF REDUCTIONS ON 25 PRODUCTS, THE REMOVAL OF BRITISH PREFERENCES, AND LIBERALIZATION OF 64 ITEMS IN MARCH 1978. NO REFERENCE IS MADE TO BINDING. COMMENT: ANALYSIS OF THE COINCIDENCE BETWEEN U.S. REQUESTS AND INDIA'S LIBERALIZATION IS PROBLEMATIC SINCE ONLY PRODUCT DESCRIPTIONS WITHOUT CCCN NUMBERS ARE PROVIDED. END COMMENT. A CURSORY ANALYSIS REVEALS THAT ONLY THE ELIMINATION OF BRITISH PREFERENCES, AND THE REDUCTION IN DUTIES ON MACHINERY PARTS AND ACCESSORIES FOR OFFSHORE DRILLING ARE RESPONSIVE TO US REQUESTS (FOR WHICH CREDIT IS GIVEN IN TP UNDERSTANDING). OTHER POSSIBILITIES INCLUDE REDUCTIONS IN DUTIES FROM 40 TO 25 PERCENT ON "ELECTRICAL MACHINERY AND EQUIPMENT" INCLUDING PARTS WHICH APPARENTLY INCLUDES US REQUEST FOR 85.11, AND HARDNESS TESTING MACHINES (US REQUEST 90.22).

3. THE BALANCE OF THE DOCUMENT (ANNEX III TO VII) DESCRIBES IMPORT POLICY ADOPTED APRIL 3, 1978. ANNEX V WHICH DESCRIBES RAW MATERIALS WHICH ARE PURCHASED BY DESIGNATED PUBLIC SECTOR AGENCIES AND ARE "DEEMED TO BE ON OPEN GENERAL LICENSES" INCLUDES RAW COTTON (US REQUESTS 55.01 AND 55.02) CINEMATOGRAPHIC FILM UNEXPOSED (US REQUEST 37.02) MOLYBDENUM ORE/OXIDE AND MOLYBDIC OXIDE (US REQUEST 73.02) AND AKYLL BENEZINES (US 29.01). ANNEX VI WHICH DESCRIBES ITEMS PERMITTED FOR GLOBAL TENDERS BY INVESTORS INCLUDES FERTILIZERS (US REQUESTS 31.03-.05), AND POWER LIMITED OFFICIAL USE

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GENERATION TRANSMISSION AND DISTRIBUTION EQUIPMENT (US REQUEST 84.01). THE OTHER ANNEXES INCLUDE LICENSING LIBERALIZATION WHICH FALL SHORT OF OPEN GENERAL LICENSING.

4. COMMENT: RESPONSES TO U.S. REQUESTS FOR TARIFF REDUCTIONS WHICH IS THIN TO BEGIN WITH, IS ALSO NOT RESPONSIVE TO OUR REQUESTS FOR BINDING. THE NON-TARIFF MEASURE LIBERALIZATION IS MORE SIGNIFICANT BUT OF LITTLE PERMANENT VALUE SINCE IT IS SUBJECT TO PERIODIC (READ ANNUAL) REVIEWS. MTN DEL HAS IN THE PAST PRESSED FOR THE INDIAN DELEGATION TO MATCH U.S. REQUESTS WITH INDIAN LIBERALIZATION BUT HAS NOT MADE HEADWAY. IT HAS ALSO BECOME CLEAR DURING TP DISCUSSIONS IN GENEVA AND WASHINGTON THAT INDIA HAS NO INTENTION TO BIND NTM LIBERALIZATION AND IS PROBABLY CONFINED TO TARIFF REDUCTIONS ALREADY MADE (ALTHOUGH UNBOUND) IN ITS BARGAINING. WHILE WE DO NOT WANT TO TOTALLY DENIGRATE INDIA'S RECENT LIBERALIZATION, WE DO NOT BELIEVE WE SHOULD GIVE CREDIT FOR WHAT MIGHT BE TRANSIENT LIBERALIZATION. WE THEREFORE PLAN TO PRESS FOR BINDING OF BOTH TARIFF AND NON-TARIFF LIBERALIZATIONS, BUT EXPECT THAT WE WILL BE UNABLE TO ACCOMPLISH THIS UNLESS WE FOCUS ATTENTION TO ITEMS ALREADY LIBERAL-

LIZED PLUS A LIMITED NUMBER OF NEW LIBERALIZATIONS WE ARE SEEKING. WE THEREFORE REQUEST WASHINGTON ANALYSIS OF GOI "CONTRIBUTIONS" FROM THE PERSPECTIVE OF BOTH OUR REQUESTS AND THE UNREQUESTED LIBERALIZATION WE MIGHT WISH TO CONSOLIDATE (FOR EXAMPLE, OPEN GENERAL LICENSES ARE NOW AVAILABLE FOR A LARGE NUMBER OF CHEMICAL AND MACHINERY PRODUCTS WE DID NOT REQUEST.) IN ADDITION, THE FORM OF CONSOLIDATION WE SHOULD SEEK SHOULD BE IDENTIFIED. WE SEE THE RANGE OF POSSIBLE NTM COMMITMENTS FROM APPLYING LICENSING CODE PROSPECTIVELY FROM APRIL 1, 1978 (IE INCORPORATING APRIL LIBERALIZATION) TO BINDING LICENSING CONCESSIONS BY FOOTNOTE TO GATT SCHEDULE NEGOTIATED IN THE MTN.

5. DRAFTED BY GRAEF. MCDONALD
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NNN

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